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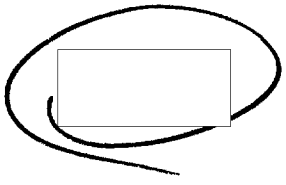
Latin America Review

29 March 1979



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President Videla and the junta have been aided by recent military command changes and by the Vatican's agreement to mediate the Beagle Channel dispute, but uncertainty over the outcome of the mediation as well as unchecked inflation could still create serious stresses. 3.5(c)

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Argentina: Government Strengthened, but Beset by Problems [redacted] 3.5(c)

The government headed by President Videla and a three-man military junta has been strengthened by recent high-level Army command changes and by the Vatican's agreement in late January to mediate the Beagle Channel dispute with Chile. Even so, uncertainty over the outcome of the mediation effort, as well as unchecked inflation--which may provoke labor unrest--could create serious stresses within the government in the next few months. [redacted] 3.5(c)

In December, when Argentina and Chile seemed close to hostilities over the Beagle Channel, Videla's handling of the situation set off a spate of coup rumors. Since then, Army Commander Viola has neutralized some of the government's harshest critics in the armed forces. First Corps Commander General Suarez Mason, an outspoken critic of the government, was named Army Chief of Staff--thus depriving him of a sensitive field command and placing him under the close scrutiny of General Viola. Two of the four corps commanders are now considered Videla-Viola loyalists. Another critic, Major General Santiago Omar Rivero, was reassigned to the Inter-American Defense Board. Further appointments have tightened Viola's control of key operational units. [redacted] 3.5(c)

Although the changes strengthen Viola's hand as well as Videla's, the Army Commander apparently is not a rival for power. He has privately announced his intention to retire from public life at the end of this year and in recent months has been the President's strongest supporter. [redacted] 3.3(b)(1)

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For the time being, at least, Videla's approach has been vindicated. It averted a war with a usually friendly neighbor that could have poisoned bilateral relations for generations. On the other hand, the mediation process, which will probably begin formally next month in Rome, is likely to be protracted, and a breakdown in the talks or an unsatisfactory outcome for the Argentines could pose dangers for Videla. 3.5(c)

3.3(b)(1)

A compromise of some sort is the only realistic solution, but it would be likely to fall far short of the Argentine Government's inflated assurances. Should the mediation results be unacceptable to the military, or should the talks break down, Videla will come under severe criticism for not having taken military action in December. His failure to order the seizure of some of the disputed islands could still cost him his job. 3.5(c)

Another and perhaps more immediate problem for Videla is the economy. For the past three years, Argentina has had the world's highest rate of inflation--170 percent in 1978 and 21.1 percent for the first two months of this year. The depressed level of real wages has made organized labor increasingly restive. Low consumer demand and concern that tariff reductions enacted earlier this year will disrupt Argentina's industrial growth and cause unemployment are prompting some business leaders to cooperate with labor in an attempt to force changes in economic policies. Some military officers may be encouraging these efforts. 3.5(c)

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Videla's continued support of controversial Economy Minister Martinez de Hoz could trigger a general strike in the next month or so. General Viola is confident that the government can contain any labor unrest, but strong repressive measures against union activists would worsen Argentina's reputation as one of the foremost violators of human rights in South America and further mobilize world opinion against the government. 3.5(c)

Although Videla seems inclined to grant Martinez de Hoz more time to curb inflation, the combined pressure of labor and industry could force the Economy Minister's resignation in the next few months. Such a change could do more harm than good because the absence of any well-thought-out alternative to present policies would exacerbate economic uncertainty and probably further retard recovery. 3.5(c)

A new trade union law now in preparation may help the government ride out the storm. The law, which may be promulgated within 90 days, could add a further measure of stability by granting greater trade union freedom and promoting collective bargaining. 3.5(c)

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